



MIDDLE HARBOUR YACHT CLUB

80TH ANNUAL REPORT

2018 - 2019



OUR VISION

To create a Club that has a sustainable future, is financially strong and is the destination of choice for members and guests both on and off the water.

OUR MISSION

Capitalise on the Club's unique location and its core commitment to sailing and boating to encourage greater member and guest patronage.

Continue to provide and improve the marina and clubhouse facilities and associated hospitality and community based services to promote a family friendly environment and increase the participation of members and guests in all facets of the Club's activities.

BOARD OF DIRECTORS

The Directors of the company at the date of this report are:

John McCuaig	<i>Chairman</i>
Peter Lewis	<i>Commodore</i>
Robert Aldis	
Philip Clinton	
Neil Drabsch	
Shaun Lane	
Nicola Morgan	
Neil Padden	
Greg Young	

FLAG OFFICERS

Peter Lewis	<i>Commodore</i>
Geoff Charters	<i>Vice Commodore Racing</i>
Evan Hodge	<i>Vice Commodore Cruising</i>
Alister Copley	<i>Vice Commodore Youth Sailing</i>
Julie Hodder	<i>Club Captain</i>

MANAGEMENT

Karen Baldwin	<i>General Manager/Secretary</i>
Bruce Aitken	<i>Finance Manager</i>
David Staley	<i>Sailing Manager</i>
Matt Pyne	<i>Marina Manager</i>

AUDITORS

PKF Chartered Accountants
Level 8, 1 O'Connell Street Sydney NSW 2000

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COMPANY DETAILS:

Middle Harbour Yacht Club Limited
(A Company limited by guarantee)
ACN 000 248 877; ABN 95 000 248 877
Lower Parriwi Road, Mosman NSW 2088
Telephone: (02) 9969 1244
Website: www.mhyc.com.au

CHAIRMAN'S REPORT

I am pleased to provide my chairman's report for the 2018/2019 financial year, a year marked by changes to the board, a renewal and update of our vision and mission and the Club entering a new phase of its development.

The foresight of past members and the board to invest in the development of the marina has been rewarded with this major asset of the club continuing to provide the regular cash flow and financial support necessary to run our diverse business and support our business plans.

None of our plans could be achieved without the support of our many members and I take this opportunity to thank all our members for their continued patronage, interest and active involvement in our sailing and boating activities and club life generally.

Our primary aim is to provide our members effective and quality facilities and service in pursuit of the Club's objectives of our core commitment to sailing and boating activities. We have strived to achieve this during the year, with another successful year of sailing and club events. We were able to reduce our debt and further strengthen the balance sheet, although our operating profit was below our target for the reasons set out later in the report.

We are mindful of the need to ensure that we have in place an effective corporate governance framework and policies and practices of a high standard. The membership and aims of our main committees of the board, the Finance & Risk Committee, the Sailing Committee, the Marina Committee and sub-committees for F&B and Membership were reviewed, refocused and strengthened where necessary. These committees are comprised of members of the club who provide many hours of their time and service in support of the club and assisting management for which they receive our appreciation and thanks.

A special mention of thanks and gratitude to our Commodore, Peter Lewis who provides a huge amount of his time working with the various committees and management on a daily basis. Similarly, our CEO and General Manager Karen Baldwin and her staff should be congratulated for another year of tireless work in managing the daily activities of the club.

Financial results

The operating profit before depreciation and interest expense was \$521,003 down \$123,052 when compared with last year. Overall revenue was down 1.6% to \$3,978,643 and operating costs increased by 1.7% to \$3,457,640 being above our budget expectations. The increased costs arose from major repairs to the upper deck, increased electricity costs and lower gross margins from the

Harbourview Bistro and Bar and Functions principally due to a higher labour expense ratio. This was a disappointing result considering the amount of time and energy both management and the various committee members spent on reducing costs.

Interest expense on the debenture debt was \$260,189 down \$51,482 compared with last year reflecting debt reduction and lower interest rates. The non-cash charge for depreciation was also down to \$512,646 compared with \$663,571 last year, mainly due to the review of useful life of the marina and leasehold building assets.

Overall, the financial result was a reported loss of \$253,271 compared with a loss of \$341,012 the previous year. Operating cash flow was positive at \$153,390 compared to \$422,193 the previous year.

Debenture debt was reduced by \$100,000 to \$4,527,500 and the prepaid liability for long term marina licences was also reduced by \$177,978 to \$681,894 reflecting \$253,524 amortised/released to marina revenue for the year offset by new long term marina licence fees received of \$75,546. The combined debenture debt and marina licence liability was \$5,209,394 down \$277,978 compared with the balance at the end of last year.

In considering the fair value of the Club's main non-current assets the marina and leasehold buildings, the directors updated the valuation of these assets, last completed in 2014. The result was an increase in the value of the marina and moorings and leasehold premises including the clubhouse to \$11,750,000 compared with \$8,014,602 being the depreciated value of these assets at the close of last year. The valuation method applied was similar to the method applied by an independent valuer employed by the Club in assessing the fair value in 2013.

The net Assets of the Club at year end was \$6,713,299 (2018: \$2,783,153).

Review of Our Strategic Plan

During the year the directors and management undertook a detailed review of our strategic plan. Our Vision and Mission was updated and is reproduced at the beginning of the annual report on page 1.

Our strategy and objectives over the next five years are:

- *Provide well maintained, secure marina facilities and infrastructure to support the diverse needs of our members.*
- *Provide and maintain a well organised regular sailing and boating events calendar in support of our core sailing and racing events, maintain a strong and active cruising division and continue to provide facilities and support for our junior sailing programs.*

- *Strive to improve the Club's hospitality facilities - clubhouse, food and beverage services, functions & entertainment capability.*
- *Further develop plans and action in a drive to achieve a larger and broader based membership.*
- *Undertake in the short term necessary repairs and maintenance to the clubhouse to provide a safe working and effective infrastructure and update the entrance, Harbourview bar and function areas.*
- *In the longer term, working with our landlord RMS establish plans to improve and re-develop the site. Consider options to increase the size of the marina.*
- *Establish the necessary structure to receive and support members desire to bequeath funds and/or provide donations to support the primary aims of the Club and to facilitate the development of the Club's marina and clubhouse facilities*
- *Carefully and responsibly manage and preserve the assets and funding sources of the Club to ensure the resulting cash flows support a sustainable financially viable business with the aim to reduce debt and achieve our short and long term goals.*
- *Engage and support our local community, comply with the various government legislative requirements and regulations and be aware, support and respect our natural environment.*

We are progressing to implement plans to achieve these objectives and have formed a Development Committee to assist the process as well as incorporating plans in the 2019/20 budget to achieve our short term financial objectives.

MHYC Foundation Trust

During the year the MHYC Foundation Trust was formed. The purpose of the Foundation was to create a permanent fund to be administered independently of the Club to help preserve, develop and maintain the standards and facilities of the Club.

In particular, the Foundation will be targeting to create opportunities for the Club to attract and retain the continued interest and financial support of members. This we hope will attract and encourage members and their families to contribute gifts, make bequests, legacies and other forms of donations, current and deferred that will benefit the Club now and in the future.

The Foundation in conjunction with the Club's board of directors, will be setting up a number of special project funds targeted to preserve and improve the Club's facilities. The Foundation will aim to raise funds in support of these special projects. Donations may be tax deductible, through funds administered by the Australian Sports Foundation.

This is a great initiative which we trust will be well supported by our long standing loyal members.

Outlook

The year ahead will have a number of challenges and opportunities for the board of directors and management.

- Our budget for the forthcoming year has been prepared to target to improve the operating cash flow and better manage our costs and target services to members.
- The marina is expected to continue operating at full capacity providing substantial cash flow and profits for the Club.
- There are a number of large projects ahead of us aimed to maintain the marina at the highest standards and ensure the buildings are serviceable and meet our needs.
- Members are expected to continue to strongly support the Club's debenture programme which has provided long term stable financing for the Club, now at lower cost due to the current low interest rate environment.
- Our sailing and racing programme is continually being improved with the inclusion of women's racing programmes and management of regatta's.

There were a number of changes to the board since last financial year, with Andrew Hurt, Nigel Smyth and Kerry Burke retiring, replaced by Neil Drabsch, Shaun Lane, Rob Aldis and Nicola Morgan. Thank you to the outgoing board members and welcome to the new. It has been an active year for the board and I thank each of the board members for their time, effort and contribution to the supervision of the club's affairs.

The new constitution adopted last year requires that board members do not sit on the board for more than nine consecutive years. This year Neil Padden, the previous treasurer and Greg Young retire. On behalf of all members our special thanks and gratitude to both Neil and Greg for their outstanding contribution.

It has been a rewarding year with many achievements but a lot more work to be done to ensure the Club remains financially strong and has a sustainable future. The Club is a family friendly environment and I encourage all our members and their guests to continue to remain active and involved in the Club's activities.

John McCuaig
Chairman

COMMODORE'S REPORT

We have had another year of successful active sailing events and the Club hosting many functions for members and our corporate supporters. Our members and guests have again experienced a world class sailing and racing programme, quality marina facilities and service, improved food and beverage menu's and bar service, supported by our friendly staff.

On behalf of the board of directors and management I would like to thank our members and guests for your continued patronage and support.

The Flag Officers and the respective committees and their chairs provide enormous support to the board and management with a focus on continuing to work to build membership and membership benefits. Refer to the Flag Officers Reports for more detail on their activities during the year.

We are thankful for our sponsors continued support and are looking to develop our sponsorship through the sponsorship committee. Sailing continues to be ambitious, with a very full program. Our members' achievements are considerable with a world championship and a circumnavigation achieved this year. Our feature events continue to be a club favourite. We continue to have growing fleets in the twilights and mid-week racing. Saturday racing whilst solid, is looking for improved fleets. The one design fleets of the Adams 10s, Farr 40's, and MC38's are very active and holding successful regattas at the club with the J24 National championships being held at the club early January 2020. The Youth Sailing divisions continue to expand and perform. Our schools program is getting strong focus. The Cruising division is extremely vital and growing in numbers as well as very active in seamanship activities and social events and is a significant group within the club.

Our dedicated staff have provided fantastic service organising and catering for our regular and special events and efficiently managing the many administrative tasks necessary to ensure the smooth operation of the Club's business. A special thanks and acknowledgement to Karen Baldwin and the dedicated staff who are working tirelessly to ensure our strategic plans are achieved. The club relies heavily on the generous work of our volunteers. Without our volunteers both on and off the water, the club would simply not operate. To the Volunteers - a huge THANK YOU! I encourage all members to volunteer. This is not only rewarding activity, but a great way to immerse yourself within our Club community.

It is an unfortunate fact of life that as the years pass we lose some of our dear friends and members. This year is no exception, and we are saddened by the losses that have occurred this year. These members were esteemed contributors and active participants to the club. They were the epitome of our club's spirit and will be sadly missed.

This year is our 80th anniversary year and during the year ahead we have planned a number of events to celebrate this amazing milestone. We have refreshed our five year plan and formed a future strategy group to plan for the future to ensure we are prepared for the challenges and opportunities ahead of us and build on the initiatives implemented during the year just passed.

To the Board, Flag Officers, Volunteers and Members: thank you for your time, friendship and support. Together we are facing another challenging and exciting year. In the meantime safe boating and a healthy and prosperous year ahead.

Yours in Sailing,

Peter Lewis
Commodore

FLAG OFFICER REPORTS

Vice Commodore Racing – Geoff Charters

Middle Harbour Yacht Club has enjoyed another season in 2018/19 of excellent racing across all formats. The members have participated and been successful at club, state national and international level regattas and championships.

Club racing has enjoyed excellent support and the racing has been competitive, fair and close in each of the series the club has run. While Saturday annual point score fleets have been stable, the club has enjoyed renewed energy in the Twilight series, the social Saturday racing and participation in the Feature events held throughout the year.

The continued refinement of our programs particularly the introduction of Windward / Leeward sprint racing has resulted in MHYC skippers and crew improving their levels of seamanship and sailing skill dramatically. This is demonstrated by MHYC boats featuring prominently at the top of the leaderboards in interclub competitions and inshore as well as offshore. MHYC is punching well above its weight competitively, thanks to these sailors.

Our continued integration of womens' events in the MHYC racing programs is having a positive effect on the development and levels of participation of our female members. We look forward to more inclusion and even greater levels of participation from our female sailors.

Our flagship events, the Sydney Harbour Regatta (March) and Sydney Short Ocean Racing Championship (November), continue to be recognized as premier two day events on and outside Sydney Harbour and we look forward to their continued expansion and growth, with the inclusion of more classes and fleets, with support from the other premier clubs on the harbour.

We take this opportunity to acknowledge our superb group of race management volunteers who enable us to race as often as we do. We recognize their skill and commitment and owe them all a huge vote of thanks and appreciation.

Vice Commodore Cruising – Evan Hodge

2018/19 has continued to see growth in the MHYC Cruising Division membership and increased participation in both on-water and on-land events.

October 2018 we had the 'Make-A-Wish' Sailing Day organised by the Cruising Division. Club staff assisted while Cruising Division and other club members volunteered their yachts to host families whose children have been challenged with health issues. It is a day away from their usual routine and even though the weather was not overly favourable the feedback was positive. All had a great time and appreciated the efforts of MHYC. We are planning another for this coming year.

January 2019, we had three vessels Flemingo, Bundeena and Nashira head down to Tasmania for the Hobart Wooden Boat Festival with many club members flying down and getting together for the festival.

Closer to home saw 43 attend the June Long Lunch celebrating the 50th Anniversary of Man's landing on the moon and how much of the technology has benefited today's cruising sailors. By all reports this was the the largest gathering for many years. The Easter Cruise to Pittwater saw 7 vessels attend and the recent Queen's Birthday Long Weekend "Cruise up the Harbour" had 24 sit down to lunch at the Sydney Fish Market and 10 vessels rafted up, enjoying the winter sun on the Lane Cove River and Sugarloaf.

Monthly Cruising Division meetings continue on the 3rd Monday of the month where members enjoy a pre-meeting BBQ, followed by a short meeting covering the months past events and business. Future events are planned and discussed together with the latest technical news updates. The group then listen to a varied line-up of guest speakers.

This year the Cruising Division introduced a monthly Sunday Breakfast followed by a Safety Workshop on various topics. These are generally scheduled on the 4th Sunday of the month unless it clashes with another event. The aim of the

workshops is to provide an interactive platform to discuss safety theory and how to apply it to short-handed passages which is often the case with cruising couples/families.

The Cruising Division very much counts on and appreciates the time and effort that our volunteers contribute, I would especially like to thank the committee who have worked hard to help maintain the quality and quantity of events that are put on throughout the year. Mike McEvoy, Phil Darling, Kelly Nunn-Clark, Martyn Colebrook, Royce Engelhardt, Dorothy and the late Max Theeboom have done an outstanding job. We look forward to continuing to grow the Cruising Division and embark on more adventurous cruises in company with the support of MHYC.

Vice Commodore Youth Sailing – Alister Copley

The MHYC Youth Sailing Division has seen some amazing results over the past 12 months with many of our sailors proudly representing MHYC at various events both locally and further afield.

2018-19 saw the consolidation of the Business Plan which was developed the previous year with many of the aspects we had planned coming to fruition. Youth Sailing at MHYC is now in a very strong position to deliver what was planned with all parts of the puzzle now actively in place.

Our sailors from the Optimists, Cadets and 29ers achieved some amazing results proudly sailing under the MHYC flag and continuing our great sailing past. As well as the Sunday racing at MHYC, many MHYC sailors also fly our flag at various regattas and championships around the country.

The Optimist squad is once again thriving at MHYC with our home grown sailors from the Learn to Sail Tackers program starting to venture out to State events including Travelers Trophies in Canberra and The East Coast Championship in June. With the exception of a 2nd place in race 5, Will Wilkinson posted a clean scorecard of 1st placings to finish a massive 17 points ahead of the nearest competitor. Other MHYC sailors Miles Green and Zara Marks finished 12th and 14th during this event. These sailors are also benefiting from the professional race training provided by MHYC's own race coach as well as the addition of Brewer Racing from MHYC which will continue in the coming season.

Our Cadet Sailors have also been travelling with 5 MHYC crews attending the Cadet Nationals in Hobart. Zac Braden and Lucy McFarlane topped the MHYC boats with a 6th out of 52 boats in Nationals with a strong showing from the other crews with 11th, 32nd, 42nd and 46th placings. Our Cadet sailors also regularly sail from MHYC on Sundays.

The 29er's saw some amazing results over the summer break at the Youth Championships and Nationals also in Hobart. Archie Cropley & Max Paul won both titles and along with fellow MHYC members Lachie Brewer & Flynn Twomey finished second in the 29ers at the Youth Champs after their third in the Class Nationals. Grace Powers & Kate Richardson finished third in the youth 29er Girls in Hobart. Other MHYC sailors also performed well in the 32 boat Youth Championships fleet, with Hugo Taranto & Hugo Darin, Max Giffney & Madeleine McLeay and John-Mark Paul sailing with Steven Case (RGYC) placing 16th, 18th & 19th respectively. This also comes on the back of the 29er States being held at MHYC.

Our Learn to Sail and School Holiday camps are as popular as ever with qualified instructors running busy term and holiday programs showing these sailors how to sail safely on the water and find their passion for sailing. These programs are incredibly important for ensuring that the Opti, Cadet and 29er racing programs continue to develop with MHYC sailors.

Our School program has shifted focus this year with the addition of the Pacers to the program allowing for the school (with many MHYC sailors) to compete at a state level with other schools in the Team racing championship. This addition to the program allows for the more experienced sailors to show their school colours while competing in these important championships. The pacers are also used in the learn to sail program for the Teenagers.

Our operations team has had a few changes with the addition of Drew Lucas as Head Instructor on a full time basis and supported by Elizabeth Turner in the part time Admin Role. These two key personnel as well as the fantastic instructing team and David Staley ensure that the delivery of the program continues to be improved. Our office and marina staff also provide a wider support role both in admin and safety.

The youth sailing committee has also been active in the background ensuring that the program has what is needed including volunteers on the start boat and safety boats each race day. And of course our sailors' parents, without whom their support in volunteering, and taxi duties means that our MHYC youth sailors of today can do what they love and grow to be the sailor of tomorrow. The 2019-20 season will see MHYC continue to deliver the high quality Learn to sail and Race training that it is known for. Some of the initiatives planned for the upcoming season include:

- Professional Race Coaching with Brewer racing for the Optimists
- 29er Development coaching for any new sailors wishing to try this class
- Optimist Traveller Trophy series with over 85 boats racing out of MHYC
- Adventure Squad to return in Term 4 for all classes of boats
- Racing on Sundays for all classes due to Yardstick racing as well as one division
- Enhanced social program including Post Race BBQ on Sundays and Presentations

- Youth Division Dinners
- Friday evening summer social sailing
- Continuation of Learn to Sail Term and Holiday Programs

No doubt it will be a busy season with many kids enjoying everything that is MHYC and sailing from our fantastic location.

Club Captain – Julie Hodder

Happy 80th Birthday Middle Harbour Yacht Club!

As of the end of May, we had 1,417 members, with 229 new members this year which makes us one of the largest clubs in Australia. Membership does appear slightly down compared to last year, however that is because the database has been updated and now the true numbers are reflected in our figures.

The Membership Committee has been looking at many ways to reach our goal of over 2,000 members, by improving the renewal process, offering prizes to those who renew early and end of year incentives. We have continued targeting non-members who use our club regularly and hopefully you are doing the same thing. I would encourage all people who regularly sail and are not current members of the Club to appreciate the costs associated with providing the facilities and resources that are required to enable us to go sailing.

Increasing the number of members, especially those who will utilise and support the club is the key to our club's future success. However we need your help. Everyone can help by identifying friends, fellow non-MHYC crew members or colleagues who have an interest in sailing to become sailing or full members. Or if they would like to be a member of a club with great views and facilities with its very own beach, they may like to join up as social members. We have one of the best locations in the world.

One of the main goals of the Membership Committee is to increase the club's engagement with you, our members. The regular eNews bulletins and our busy Facebook page lets everyone know what is happening around the club. We are looking to improve our website and our MHYC App which can be easily accessed on your smart phone. We have reinstated a bi-monthly Newsletter which will not only highlight key events, but will provide a vehicle for the Board and Flags to update you on information on what is happening around the club.

Preserving our history and club is particularly important. The Board is looking at a more detailed masterplan through the MHYC Foundation to improve the look and facilities of our club. The membership committee has been working on smaller tasks such as displaying and maintaining our trophies and other

memorabilia. The newly renovated "Bluebird Deck" has been completed and will be officially opened at the 2019 Senior's Luncheon. This project was financed by the generous bequest made by Keith Jones and his family.

Social events are a great way for building friendships with your fellow members. The club has organised many great social events again this year. These are generally well supported, however it would be very helpful if people could book a little earlier to help with planning.

Volunteer is both fun and rewarding. It is another great way of building new friendships and is a great way of contributing. There are plenty of jobs for all sorts of skills and abilities, so contact the office if you would like to join in and help improve our facilities or services.

I would like to thank all our committee members including General Manager, Karen Baldwin and Freya Patenall (in charge of Membership and Marketing) for their great support this year.

In closing, and I know I said it before, this is the final year of my tenure as a Club Officer. I love this club and will be around as a volunteer, but I am looking forward to seeing new blood and new ideas help develop our club's future. I am extremely confident and proud in saying that MHYC is the friendliest Yacht Club and as Victor Kovalenko says "*The best kept secret in the World*"!

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Consolidated Financial Statements

For the Year Ended 30 April 2019

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

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Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Directors' Report For the Year Ended 30 April 2019

The directors present their report on Middle Harbour Yacht Club Limited for the financial year ended 30 April 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Position	Appointed/Resigned
J McCuaig	Director / Chairman	
R Aldis	Director	Appointed 02/08/2019
P Clinton	Director	
N Drabsch	Director	Appointed 02/08/2019
S Lane	Director	Appointed 02/08/2019
P Lewis	Director / Commodore	
N Morgan	Director	Appointed 02/08/2019
N Padden	Director	
G Young	Director	
A Hurt	Director / Chairman	Resigned 19 July 2018
K Burke	Director	Resigned 19 July 2018
N Smyth	Director	Resigned 19 July 2018

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

The financial result for the year from ordinary activities was a loss of \$253,271 (2018: \$341,012) after charging \$512,646 (2018: \$663,571) for depreciation and amortisation.

Principal activities

The principal activities of the company during the financial year were to provide facilities and services to promote the sport of sailing and boating activities.

No significant changes in the nature of the company's activity occurred during the financial year.

Indemnifying and Insurance of Officers

The company has provided for and paid premiums to the value of \$4,703 (2018: \$4,348) during the year for Management Liability Insurance. The insurance is in respect of legal liability for damages and legal costs with an annual aggregate limit of \$5,000,000 arising from claims made by reason of any omissions or acts (other than dishonesty) by them, whilst acting in their individual or collective capacity as directors or officers of the company, towards which the directors of the company contribute.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Directors' Report

For the Year Ended 30 April 2019

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

J McCuaig

Qualifications

Diploma Financial Services, Fellow Financial Services Institute

Experience

31 Years Banking & Finance, 16 years operating own Finance Broking business.

R Aldis

Qualifications

Civil Engineer

Experience

Over 45 years' experience in the engineering and construction sector, spending 24 years with the Contractor, Leighton Group of Companies, and then 14 years as Managing Director of an Advisory business within the Infrastructure sector. Rob also holds non-executive roles within North West Road Group and NSW Water.

P Clinton

Qualifications

Certified Financial Planner, Accredited Estate Planning Strategist, Bachelor of Business in Accounting

Experience

Over 30 years experience in financial planning and is currently licensed through the Madison Financial Group and deals mainly with high net worth individuals and family groups.

N Drabsch

Qualifications

Chartered Accountant, FCA,FAICD, FGIA, FCIS.

Experience

Practising chartered accountant for 24 years. Extensive experience as a senior executive in finance, tax, investments and funding in large international insurance companies for over 25 years including 20 years as CFO of QBE Insurance Group. Now retired and chairman of the Finance & Risk Committee.

S Lane

Qualifications

Bachelor of Accounting and qualified Chartered Accountant

Experience

After completing articles with a major accounting firm in South Africa and the USA he has held senior positions in a number of companies both listed and non listed. He has invested in a number of private companies across a broad range of industries over the years and continues to consult and hold non executive board positions.

P Lewis

Experience

Retired businessman with successful corporate and small to medium business experience primarily in developing, manufacturing, positioning and marketing products and services locally and overseas.

N Morgan

Qualifications

Qualified Pharmacist

Experience

Over 20 years' experience as a Management Consultant providing consulting services across Europe, USA and Asia Pacific.

N Padden

Qualifications

BSc MBA

Experience

Senior general Management Roles and directorships with KONE Corp a leading company in the elevator and escalator industry.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Directors' Report For the Year Ended 30 April 2019

Information on directors

G Young

Qualifications

Qualified Aircraft Engineer trained with Qantas

Experience

Director of Marine Consulting Company for past 19 years.

A Hurt

Qualifications

Import/Export Diploma / JP

Experience

32 years logistical and related industry experience and is currently CEO of Associated Customs and Freight Services and co-owner & board member of SEKO Logistics Worldwide.

K Burke

Qualifications

Masters Degree

Experience

Over 25 years business experience mainly in human resources. Member of executive teams of businesses with \$250m to \$800m turnover.

N Smyth

Qualifications

Bachelor of Electronic Systems

Experience

Group Head of Market Operations & Technology Group Macquarie, over 20 years as principal and director positions in the financial industry.

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
J McCuaig	12	10
R Aldis	9	8
P Clinton	12	11
N Drabsch	9	8
S Lane	9	7
P Lewis	12	11
N Morgan	9	7
N Padden	12	11
G Young	12	8
A Hurt	3	3
K Burke	3	3
N Smyth	3	2

Environmental issues

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Directors' Report For the Year Ended 30 April 2019

Company Limited by Guarantee

Middle Harbour Yacht Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$100 for all members, subject to the provisions of the company's constitution.

At 30 April 2019 the collective liability of members was \$ 129,700 (2018: \$ 159,400).

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Dividends

The company is a non-profit organisation and is prevented by its constitution from paying dividends.

Proceedings on Behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 April 2019 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director

J McCuaig

Director

P Lewis

Dated: 24 June 2019

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Middle Harbour Yacht Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 April 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



SCOTT TOBUTT
PARTNER

24 JUNE 2019
SYDNEY, NSW

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 April 2019

		2019	2018
	Note	\$	\$
Revenue	3	3,952,401	4,043,417
Other income	3	26,242	401
Cost of sales		(562,799)	(547,169)
Employee benefits expense		(1,741,781)	(1,691,049)
Cleaning		(54,261)	(50,586)
Regatta and sponsorship expenses		(165,999)	(173,444)
Insurance		(126,904)	(111,327)
Rates and utilities		(152,643)	(121,742)
Rental and leasing outgoings		(175,344)	(190,616)
Repairs and maintenance		(151,865)	(139,062)
Other expenses		(326,044)	(374,768)
Profit before income tax, interest and depreciation		521,003	644,055
Finance costs		(261,628)	(321,496)
Depreciation expense		(512,646)	(663,571)
Loss before income tax		(253,271)	(341,012)
Income tax expense		-	-
Loss for the year		(253,271)	(341,012)
Fair value increment on revaluation of property	15	4,183,417	-
Total comprehensive income for the year		3,930,146	(341,012)

The accompanying notes form part of these financial statements.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Consolidated Statement of Financial Position As At 30 April 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	279,032	311,971
Trade and other receivables	6	57,362	66,742
Inventories	5	89,690	74,252
TOTAL CURRENT ASSETS		<u>426,084</u>	<u>452,965</u>
NON-CURRENT ASSETS			
Trade and other receivables	6	81,689	81,689
Property, plant and equipment	7	11,989,106	8,270,490
TOTAL NON-CURRENT ASSETS		<u>12,070,795</u>	<u>8,352,179</u>
TOTAL ASSETS		<u>12,496,879</u>	<u>8,805,144</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	366,750	275,878
Borrowings	11	1,002,121	268,484
Short-term provisions	9	73,121	72,868
Other liabilities	10	342,723	374,437
TOTAL CURRENT LIABILITIES		<u>1,784,715</u>	<u>991,667</u>
NON-CURRENT LIABILITIES			
Borrowings	11	3,535,000	4,407,121
Long-term provisions	9	31,319	12,679
Other liabilities	10	432,546	610,524
TOTAL NON-CURRENT LIABILITIES		<u>3,998,865</u>	<u>5,030,324</u>
TOTAL LIABILITIES		<u>5,783,580</u>	<u>6,021,991</u>
NET ASSETS		<u>6,713,299</u>	<u>2,783,153</u>
EQUITY			
Reserves		9,539,158	5,355,741
Accumulated losses		(2,825,859)	(2,572,588)
TOTAL EQUITY		<u>6,713,299</u>	<u>2,783,153</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 30 April 2019

	Accumulated losses	Asset Revaluation Reserve	Total
Note	\$	\$	\$
Balance at 1 May 2018	(2,572,588)	5,355,741	2,783,153
Loss for the year	(253,271)	-	(253,271)
Fair value increment on revaluation of property	-	4,183,417	4,183,417
	15		
Balance at 30 April 2019	(2,825,859)	9,539,158	6,713,299

	Accumulated losses	Asset Revaluation Reserve	Total
Note	\$	\$	\$
Balance at 1 May 2017	(2,231,576)	5,355,741	3,124,165
Loss for the year	(341,012)	-	(341,012)
Balance at 30 April 2018	(2,572,588)	5,355,741	2,783,153

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Consolidated Statement of Cash Flows For the Year Ended 30 April 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	4,140,272	4,531,049
Payments to suppliers and employees	(3,739,701)	(3,794,351)
Interest received	14,447	6,991
Finance costs	(261,628)	(321,496)
Net cash provided by operating activities	19 <u>153,390</u>	<u>422,193</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	4,703	3,452
Purchase of property, plant and equipment	(52,548)	(145,260)
Net cash used in investing activities	<u>(47,845)</u>	<u>(141,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds/ (repayment) of borrowings	(138,484)	(650,215)
Net cash provided by/ (used in) financing activities	<u>(138,484)</u>	<u>(650,215)</u>
Net increase/(decrease) in cash and cash equivalents held	(32,939)	(369,830)
Cash and cash equivalents at beginning of year	311,971	681,801
Cash and cash equivalents at end of financial year	4 <u>279,032</u>	<u>311,971</u>

The accompanying notes form part of these financial statements.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements

For the Year Ended 30 April 2019

The financial report includes the consolidated financial statements and notes of Middle Harbour Yacht Club Limited (Parent) and controlled entities ('the Club'). Middle Harbour Yacht Club Limited is a not-for-profit Club limited by guarantee, incorporated and domiciled in Australia.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have an April financial year end.

A list of controlled entities is contained in Note 18 to the financial statements.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

Revenue from rendering services comprises revenue from memberships together with other services to members and other patrons of the club and is recognised when the services are provided.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2019

1 Summary of Significant Accounting Policies

(c) Revenue and other income

Rental income

Revenue from marina and moorings is recognised on a straight-line basis for leases with fixed rental increases. For all other leases, revenue is recognised when the Club has a right to receive the rent in accordance with the lease agreement.

Commercial property rental revenue is recognised on a straight-line basis over a period of lease terms as to reflect a constant periodic rate of return on the net investment.

Bar and catering revenue

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue

Interest is recognised using the effective interest method.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale.

Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition, which is the deemed cost.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2019

1 Summary of Significant Accounting Policies

(g) Property, plant and equipment

Classes of property, plant and equipment is carried at cost or revaluation model as specified below.

Property

Property is measured using the revaluation model. Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land, is depreciated on a straight-line method from the date that management, determine that the asset is available for use.

Leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Leasehold premises	3.7%
Marina and Moorings	3.7%
Clubhouse	3.7%
Plant and Equipment	10%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

During the year the Club has reassessed the residual value of the following asset classes with effect 1 May 2018:

- Leasehold premises
- Marina and Moorings
- Clubhouse

The rates of depreciation have been changed to reflect amortisation of these assets over their remaining useful life, based on the terms of the existing RMS lease less an allowance for salvage. This has resulted in an effective decrease in the depreciation expense in the year to 30 April 2019 compared with previous years.

(h) Financial instruments

Financial instruments are recognised initially on the date that the company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Notes to the Financial Statements

For the Year Ended 30 April 2019

1 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the company classifies its financial assets into the following category, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the company's historical experience and informed credit assessment and including forward looking information.

The company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the company in full, without recourse to the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2019

1 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the company comprise trade payables, bank and other loans and finance lease liabilities.

(i) Impairment of non-financial assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(j) Income Tax

No provision for income tax has been raise as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

Notes to the Financial Statements

For the Year Ended 30 April 2019

1 Summary of Significant Accounting Policies

(k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Club during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Provisions

Provision is made for the Club's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Club does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred.

(m) Adoption of new and revised accounting standards

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors has decided not to early adopt these Standards. The following summarises those future requirements, and their impact on the Club where the standard is relevant:

AASB 15: Revenue from Contracts with Customers; and AASB 1058: Income for Not-for-profit (NFP) entities are both applicable to the annual reporting periods beginning on or after 1 January 2019 (for NFP entities).

AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. The new standard will apply to all contracts with customers as well as nonmonetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

AASB 1058 supersedes all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The directors anticipate that the adoption of AASB 15 and AASB 1058 will not have a material impact on the financial statements.

AASB 16: Leases; applicable to the annual reporting periods beginning on or after 1 January 2019.

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirements for leases to be classified as operating or finance leases.

Notes to the Financial Statements

For the Year Ended 30 April 2019

1 Summary of Significant Accounting Policies

(m) Adoption of new and revised accounting standards

The main changes introduced by the Standard will for all leases to be recognised on the balance sheet at inception of the lease with the exception of short-term leases (less than 12 months) and leases of low-value assets. The lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the lease payments. Subsequent to this initial measurement, the right-of-use asset is depreciated over the lease term, whilst lease payments are separated into a principal and interest portion to wind up the lease liability over the lease term.

The directors anticipate that the adoption of AASB 16 will have a material impact the financial statements as the Club currently has operating lease commitments of \$2,180,340 which we anticipate will be brought onto the statement of financial position through the recognition of a right to use asset and associated lease liability. Interest and amortisation expense will increase and rental expense will decrease in the financial year to 30 April 2020.

In the current year, the Club has applied AASB9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB9 allow an entity not to restate comparatives. The Club has elected not to restate comparatives in respect of the classification and measurement of financial instruments as there is no impact on the current or comparative period. Additionally, the Club adopted consequential amendments to AASB 7 Financial instruments: Disclosure that were applied to the disclosures about 2018 and to the comparative period. AASB 9 introduced new requires for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

The directors of the Club reviewed and assessed the Club's existing financial assets as at 1 May 2018, based on the factors and circumstances that existed at that date and concluded that the initial application of AASB 9 has had no impact on the Club's financial instruments as regards to their classification and measurement during the current financial year.

(n) Going concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 April 2019 the Club reported current liabilities of \$1,784,715 which was greater than current assets of \$426,084. This resulted in net current liabilities of \$1,358,631 (2018: \$538,702), of which \$993k (2018: \$230k) related to loans repayable to debenture holders within the next 12 months.

The Directors are confident that the Club will be able to negotiate the roll-over, or reissue of these existing debenture loans. This is based on the fact that historically the Club has a proven track record of raising new debentures, and in addition the Club continues to receive ongoing support from its various stakeholders who actively participate in the debenture scheme.

The ability of the Club to continue as a going concern is dependent upon the Club continuing to achieve their projected trading budget and to successfully roll over or replace the debenture loans as they fall due. Although these conditions indicate the existence of an uncertainty which casts doubt over the Club's ability to continue as a going concern, the directors are confident that the Club will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements

For the Year Ended 30 April 2019

2 Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Club.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key estimates - fair value of Marina and moorings, Leasehold premises and Clubhouse

The company carries these assets at fair value with changes recognised in the revaluation reserve.

On 23 January 2013 the leasehold premises, marina and moorings and clubhouse development held by the Club were independently valued by LandMark White valuers.

On 1 of January 2014 the marina and moorings were subsequently revalued by the directors, following the completion of the marina extension, adopting the same assumptions as were used in the 2013 independent valuation.

During the current year the directors have reassessed the assumptions adopted in the 2013 valuation of the Marina and moorings, Leasehold premises and Clubhouse. The directors' valuation at 30 April 2019 is based on assessment of the current net commercial income of the marina and leasehold properties, considering income and expense items from the budget for the year to 30 April 2020 and allocating income and expenses relevant to the business units that would be available for sale based on vacant possession. The directors' assessment is based on a capitalisation rate of 9.5%.

As a result of the directors' valuation in the current year, the Club has recognised a revaluation increment of \$4,183,417 accounted for as an increase in the book values of the relevant assets classes with a corresponding increase in the asset revaluation reserve. The carrying value of these asset classes are deemed to correctly reflect the fair value at 30 April 2019.

Key estimates - impairment of property, plant and equipment

The Club assesses impairment at the end of each reporting period by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for marina and moorings based in Australia, growth rates of 2% to 2.5% have been factored into valuation models for the next 32 years on the basis of the lease to be renegotiated with NSW Maritime in 2020. The rates used incorporate allowance for inflation. Pre-tax discount rates of 9.5% to 10% have been used in all models.

Key judgments - Income tax exemption

The directors of the Club self-assess income tax exemption status each year by filling out the income tax exemption self-assessment form provided by the ATO. The directors assessed the Club as income tax exempted this financial year given its sporting nature and accumulated losses.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2019

3 Revenue and Other Income

	2019	2018
	\$	\$
- Rendering of services	928,272	1,025,604
- Marina Rentals	1,486,107	1,438,517
- Mooring Rentals	40,936	37,993
- Bar and Catering revenue	1,250,216	1,233,384
- Other miscellaneous sales revenue	26,008	36,641
- Interest income	14,447	6,991
- Commercial rental income	185,830	117,896
- Donations	11,984	140,580
- Other revenue	8,601	5,811
	<u>3,952,401</u>	<u>4,043,417</u>
Other Income		
- Other income	26,242	401

4 Cash and cash equivalents

Cash on hand	8,074	8,700
Cash at bank	270,958	303,271
	<u>279,032</u>	<u>311,971</u>

5 Inventories

CURRENT		
Merchandise stock, at cost	30,428	24,397
Bar stock, at cost	59,262	49,855
	<u>89,690</u>	<u>74,252</u>

6 Trade and other receivables

CURRENT		
Trade receivables	31,239	43,577
Other receivables	26,123	23,165
	<u>57,362</u>	<u>66,742</u>
NON-CURRENT		
Term deposits	81,689	81,689

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2019

7 Property, plant and equipment

	2019	2018
	\$	\$
Marina and Moorings		
At fair value	9,900,000	8,867,501
Less: accumulated depreciation	-	(1,945,028)
	<u>9,900,000</u>	<u>6,922,473</u>
Leasehold premises		
At fair value	880,000	781,988
Less: accumulated depreciation	-	(186,289)
	<u>880,000</u>	<u>595,699</u>
Plant and equipment		
At cost	1,204,967	1,157,124
Less: accumulated depreciation	(965,861)	(901,236)
	<u>239,106</u>	<u>255,888</u>
Club house		
At fair value	970,000	944,201
Less: accumulated depreciation	-	(447,771)
	<u>970,000</u>	<u>496,430</u>
Total property, plant and equipment	<u>11,989,106</u>	<u>8,270,490</u>

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold premises	Marina and moorings	Plant and equipment	Clubhouse	Total
	\$	\$	\$	\$	\$
2019					
Balance at the beginning of year	595,699	6,922,473	255,888	496,430	8,270,490
Additions	-	-	52,548	-	52,548
Disposals - written down value	-	-	(4,703)	-	(4,703)
Depreciation expense	(33,300)	(386,969)	(64,627)	(27,750)	(512,646)
Revaluation increase	317,601	3,364,496	-	501,320	4,183,417
Balance at the end of the year	<u>880,000</u>	<u>9,900,000</u>	<u>239,106</u>	<u>970,000</u>	<u>11,989,106</u>

As a result of the directors' valuation in the current year, the Club has recognised a revaluation increment of \$4,183,417 accounted for as an increase in the book values of the relevant assets classes with a corresponding increase in the asset revaluation reserve. The carrying values of these asset classes are deemed to correctly reflect the fair value at 30 April 2019. Refer to Note 15 for detailed disclosures regarding the fair value measurement of the company's leasehold premises, marina and moorings and clubhouse development.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2019

8 Trade and other payables

	2019	2018
	\$	\$
Unsecured liabilities		
Trade payables	119,480	147,792
Sundry payables and accrued expenses	247,270	128,086
	<u>366,750</u>	<u>275,878</u>

9 Provisions

CURRENT		
Employee entitlements	73,121	72,868
NON-CURRENT		
Employee entitlements	31,319	12,679

Movement in carrying amounts

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 May 2018	72,868	12,679	85,547
Additional provisions	23,105	20,430	43,535
Provisions used	(22,852)	(1,790)	(24,642)
Balance at 30 April 2019	<u>73,121</u>	<u>31,319</u>	<u>104,440</u>

10 Other liabilities

CURRENT		
POS liability	24,225	30,059
Other liability	17,606	28,182
Customer deposits	51,544	66,848
Prepaid berths guarantee fees	249,348	249,348
	<u>342,723</u>	<u>374,437</u>
NON-CURRENT		
Prepaid berths guarantee fees	432,546	610,524

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2019

11 Borrowings

	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities:		
Other loans	9,621	38,484
Secured liabilities:		
Debentures	992,500	230,000
	1,002,121	268,484
NON-CURRENT		
Unsecured liabilities:		
Other loans	-	9,621
Secured liabilities:		
Debentures	3,535,000	4,397,500
	3,535,000	4,407,121

Collateral Provided

Debentures are secured by a first mortgage over the assets of the Club. The carrying amounts of non-current assets pledged as security are:

- Marina and Moorings	9,900,000	6,922,473
- Leasehold premises and club house	1,850,000	1,092,132
- Other property plant and equipment	239,106	255,885
	11,989,106	8,270,490

12 Financial Risk Management

The main risks the Club is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Club's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and debentures.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows

Financial Assets

Cash and cash equivalents	279,032	311,971
Trade and other receivables	57,362	66,742
Term deposits	81,689	81,689
Total financial assets	418,083	460,402

Financial liabilities

Trade and other payables	366,750	275,878
Borrowings	4,537,121	4,675,605
Total financial liabilities	4,903,871	4,951,483

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Notes to the Financial Statements For the Year Ended 30 April 2019

13 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Middle Harbour Yacht Club Limited during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	157,939	155,000
Long-term benefits	14,727	14,730
	<u>172,666</u>	<u>169,730</u>

For details of other transactions with key management personnel, refer to Note 14: Related Party Transactions.

14 Related Parties

(a) **The company's main related parties are as follows:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 13: Key Management Personnel Compensation.

(b) **Other related parties**

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

A director, Mr G Young, has provided his motor vessel to the Club for race management duties during the financial year and in return the Club has reduced his marina fees. The Board has been provided with an analysis of the arm's length cost of chartering a similar vessel suitable for race management and has determined that the cost of doing so materially exceeds the marina fees foregone.

(c) **Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

(i) **Revenue from services**

Revenue from amortisation of long term licence fees and annual maintenance fees from Directors/Directors related entities	7,001	16,607
Revenue from monthly berth fees from Directors/Directors related entities	27,607	38,396
	<u>34,608</u>	<u>55,003</u>

(ii) **Debentures**

Debentures held with Directors/Directors related entities	335,000	235,000
Debentures interest paid/payable to Directors/Directors related entities	18,199	28,307

(iii) **Prepaid berth balance**

Key management personnel:		
Balance of prepaid berth fees from Directors/Directors related entities	18,032	71,074

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2019

15 Fair Value Measurement

The company measures the following assets and liabilities at fair value on a recurring basis:

- Property, plant and equipment
 - Marina and Moorings
 - Clubhouse
 - Leasehold Improvements

The Club does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements.

	Total
	\$
30 April 2019	
Recurring fair value measurements	
Property, plant and equipment	
Marina and Moorings	9,900,000
Clubhouse	970,000
Leasehold Improvements	880,000
	<u>11,750,000</u>
30 April 2018	
Recurring fair value measurements	
Property, plant and equipment	
Marina and Moorings	6,922,473
Clubhouse	496,430
Leasehold Improvements	595,699
	<u>8,014,602</u>

Valuation techniques used to determine fair values

During the current year the directors have reassessed the assumptions adopted in the 2013 independent valuation of the Marina and Moorings, Leasehold premises and Clubhouse. The directors' valuation at 30 April 2019 is based on assessment of the current net commercial income of the marina and leasehold properties, considering income and expense items from the budget for the year to 30 April 2020 and allocating income and expenses relevant to the business units that would be available for sale based on vacant possession. The directors' assessment is based on a capitalisation rate of 9.5%. As a result of the directors' valuation in the current year, the Club has recognised a revaluation increment of \$4,183,417.

16 Contingent Liabilities

Middle Harbour Yacht Club Limited had the following security deposits held with Westpac, classified as term receivables within trade and other receivables:

- \$81,689 in respect of their Maritime Service account (2018: \$81,689).

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Notes to the Financial Statements For the Year Ended 30 April 2019

17 Capital and Leasing Commitments

(a) Commitments to NSW Maritime

	2019	2018
	\$	\$
Payable - minimum lease payments:		
- not later than one year	140,683	140,863
- between one year and five years	563,452	563,452
- later than five years	1,432,108	1,572,971
	<u>2,136,243</u>	<u>2,277,286</u>

The Club and NSW Maritime signed a 25 year head lease on 14 August 2009, which is considered an operating lease commitment. Therefore 15 years and 2 months of the lease remain outstanding at balance sheet date.

(b) Other operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than one year	37,016	37,016
- between one year and five years	7,081	44,097
	<u>44,097</u>	<u>81,113</u>

Other operating leases are in place for the point of sale system and photocopier and have terms of between 3 and 5 years. Lease payments are increased on an annual basis to reflect market rentals.

18 Controlled Entities

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
Parent Entity:			
Middle Harbour Yacht Club	Australia	100	100
Subsidiaries:			
MHYC Holdings Pty Limited	Australia	100	100
MHYC Marina Management Pty Limited	Australia	100	100
MHYC Foundation Pty Ltd	Australia	100	-

*The percentage of ownership is in proportion to ownership.

During the year MHYC Foundation Pty Ltd was incorporated with effect 8 January 2019.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2019

19 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2019	2018
	\$	\$
Loss for the year	(253,271)	(341,012)
Non-cash flows in profit:		
- depreciation	512,646	663,571
- net (profit)/loss on disposal of property, plant and equipment	-	(2,580)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	9,380	53,968
- (increase)/decrease in inventories	(15,438)	8,594
- increase/(decrease) in trade and other payables	90,872	32,141
- increase/(decrease) in other liabilities	(209,692)	28,340
- increase/(decrease) in provisions	18,893	(20,829)
Cashflows from operations	<u>153,390</u>	<u>422,193</u>

20 Events after the end of the Reporting Period

The financial report was authorised for issue on 24 June 2019 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

21 Company Details

The registered office of and principal place of business of the Club is:

Middle Harbour Yacht Club Limited
Lower Parriwi Road
The Spit
Mosman NSW 2088

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 6 to 25, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the financial position as at 30 April 2019 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
J McCuaig

Director
P Lewis

Dated: 24 June 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDDLE HARBOUR YACHT CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Middle Harbour Yacht Club Limited (the Company), which comprises the consolidated statement of financial position as at 30 April 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 April 2019 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



PKF



SCOTT TOBUTT
PARTNER

24 JUNE 2019
SYDNEY, NSW